

**BEFORE  
THE PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**DOCKET NO. 2012 - 57 - E**

**In the Matter of:**

<b>Petition of Duke Energy Carolinas, LLC for an</b>	<b>)</b>	
<b>Accounting Order to Defer Certain Capital and</b>	<b>)</b>	
<b>Operating Costs Incurred for the Buck Natural</b>	<b>)</b>	<b>REQUEST TO EXTEND</b>
<b>Gas Combined Cycle Generating Plant and the</b>	<b>)</b>	<b>PETITION FOR</b>
<b>Bridgewater Hydro Generating Plant</b>	<b>)</b>	<b>ACCOUNTING ORDER</b>

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Pursuant to S.C. Code Ann. §58-27-1540 (Supp. 2011) and 26 S.C. Ann. Reg. 103-825 (1976, as amended), Duke Energy Carolinas, LLC (“Duke Energy Carolinas” or the “Company”) respectfully petitions the Public Service Commission of South Carolina (“Commission”) to extend the accounting order it granted in Order No. 2012-208 for regulatory accounting purposes authorizing the Company to defer in a regulatory asset account certain post-in-service costs that are being or will be incurred in connection with (1) the addition of the Buck Combined Cycle Generating Plant (“Buck”) and (2) the addition of the Bridgewater Hydro Generating Plant (“Bridgewater”). In the original petition, Duke Energy Carolinas sought to defer (1) the unrecovered incremental return and depreciation expense that were incurred in the months of December 2011 and January 2012 on the plant capital costs balance as of August 31, 2011; (2) the unrecovered incremental return and depreciation expense that are being or will be incurred from December 2011 through January 2013 on the plant capital costs expenditures subsequent to August 31, 2011; and (3) the incremental non-fuel operation and maintenance (“O&M”) expenses that are or will be incurred from December 2011 through January 2013.

In the current petition, Duke Energy Carolinas seeks to extend the time it can defer in a regulatory asset account items (2) above – the unrecovered incremental return and depreciation expense that are being or will be incurred and (3) above -- the incremental non fuel operation and maintenance (“O&M”) expenses that are or will be incurred. Order No. 2012-208 allows Duke Energy Carolinas a deferral from December 2011 through January 2013 under the assumption that new rates would be effective February 6 2013 and those new rates would reflect the additional costs of Buck and Bridgewater thereby eliminating the need for the deferral requested past that date. Duke Energy Carolinas now anticipates filing its next base rate case in March, 2013 with new rates effective September 2013. Duke Energy Carolinas hereby requests an extension of the deferral period to September 2013 or until new base rates become effective, whichever occurs first. The Company calculates the additional deferred cost included in this request to be \$3.7 million as allocated to SC retail operations.

As in the original petition, the unrecovered incremental costs for which this deferral treatment is requested include depreciation, cost of capital, and the related non-fuel O&M expenses that will be submitted as a cost component of electric rates in the Company’s next general rate case application, which the Company now contemplates filing in March 2013. In that application, the Company plans to seek an increase in its electric base rates to reflect, among other things, the updated capital expenditures and the annual incremental O&M costs of the Buck and Bridgewater additions. If this Petition is approved by the Commission, that application will also include an annual amount to amortize and recover over a period of years the costs deferred through September 2013 and accumulated in the regulatory asset account for Buck and Bridgewater.

In support of this Petition, Duke Energy Carolinas respectfully shows the Commission the following:

**Name and Address of Duke Energy Carolinas**

1. The correct name and post office address of the Company are:

Duke Energy Carolinas, LLC  
Post Office Box 1321  
Charlotte, North Carolina 28201-1006

**Notices and Communications**

2. The name and address of the attorney for Duke Energy Carolinas who is authorized to receive notices and communications with respect to this petition is:

Timika Shafeek-Horton  
Deputy General Counsel  
Duke Energy Carolinas, LLC  
550 South Tryon Street, DEC45A  
Charlotte, North Carolina 28202  
Tel: 704-382-6373  
Fax: 980-373-8534  
[Timika.Shafeek-Horton@duke-energy.com](mailto:Timika.Shafeek-Horton@duke-energy.com)

**Description of the Company**

3. The Company is engaged in the generation, transmission, distribution, and sale of electric energy at retail in the western portion of South Carolina and central and western portions of North Carolina. The Company also sells electricity at wholesale to municipal, cooperative and investor-owned electric utilities and its wholesale sales are subject to the jurisdiction of the Federal Energy Regulatory Commission. Duke Energy Carolinas is a corporation organized and existing under the laws of North Carolina authorized to transact business in the State of South Carolina and is a public utility under the laws of that State.

Accordingly, its operations in South Carolina are subject to the jurisdiction of the Commission pursuant to the provisions of Chapter 27 of Title 58 of the South Carolina Code of Laws.

#### **Buck Natural Gas Combined Cycle Generating Plant**

4. Extending the accounting order currently scheduled to terminate at the end of January 2013, will afford the Company the opportunity to defer \$6.1 million (\$1.5 million on a South Carolina retail basis) of the capital cost of Buck, along with additional incremental O&M expenses of \$5.1 million (\$1.2 million on a South Carolina retail basis) incurred to operate this plant during the expanded deferral period. Given the continued operation of the facility for electric generation for our customers, inclusion of these costs in cost of service is appropriate.

#### **Bridgewater Hydro Generating Plant Powerhouse Upgrade**

5. Likewise, extending the accounting order for Bridgewater currently scheduled to terminate at the end of January 2013 will afford the Company the opportunity to defer \$2.3 million (\$.6 million on a South Carolina retail basis) of the capital cost of Bridgewater incurred to operate this plant during the expanded deferral period. The addition is appropriate given customers are continuing to receive the benefits of the upgrade.

#### **Financial Consequences of Duke Energy Carolinas' Request**

6. In its most recent earnings surveillance report filed with the Commission, Duke Energy Carolinas reported earnings of 7.12%, significantly less than the 10.5% rate of return on jurisdictional common equity approved by the Commission in the Company's last general rate case in Docket No. 2011-271-E. The \$3.7 million of costs (as allocated to South Carolina retail operations) Duke Energy Carolinas seeks to defer through this deferral extension request is material and could harm the Company's earnings during this time if the

deferral is not granted. At the same time, and in accordance with the original petition, because Duke Energy Carolinas will propose in its upcoming rate case to recover the deferred costs over a multi-year period, the ultimate rate impact of this deferral – if approved by the Commission – will be mitigated.

#### **EFFECTIVE DATE**

7. An order extending the time during which Duke Energy Carolinas can defer the costs described herein will not preclude the Commission or any party from addressing the reasonableness of the costs deferred in the regulatory asset account in a subsequent general rate or other proceeding.

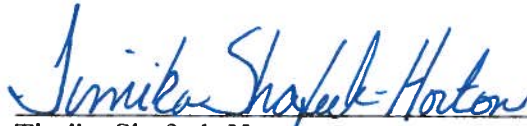
#### **CONCLUSION**

8. When the Company filed its original petition in February 2012, it planned to file its next general rate case in the fall of 2012. Business developments throughout the year led to a Company decision to delay the rate case filing. The change in the rate case filing date does not change the purpose or nature of the original request. Authorizing this request continues to be important to the maintenance of the Company's credit quality and financial integrity. Additionally, retail customers continue to receive the benefits of the lower fuel and fuel related costs associated with these plants.

WHEREFORE, Duke Energy Carolinas respectfully requests that the Commission extend Order 2012-208 and allow DEC to establish a regulatory asset account to which it may charge the post-in-service costs incurred related to the capital costs of Buck and Bridgewater and the associated depreciation costs and incremental O&M costs from the date

these assets were placed in service until the date the related costs of these assets are reflected in electric base rates.

Respectfully submitted, this 7<sup>th</sup> day of January, 2013.

A handwritten signature in blue ink, reading "Timika Shafeek-Horton", written over a horizontal line.

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